



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

*For the Two Fiscal Years Ended
June 30, 2012*

NOVEMBER 2012

LEGISLATIVE AUDIT
DIVISION

12-18

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Financial-compliance audits are conducted by the Legislative Audit Division to determine whether an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2011, was issued March 29, 2012. The Single Audit Report for the two fiscal years ended June 30, 2013, will be issued by March 31, 2014. Copies of the Single Audit Report can be obtained by contacting:

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Cindy Jorgenson
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November 2012

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report for the Department of Justice for the two fiscal years ended June 30, 2012. Included in this report are four recommendations concerning a control deficiency related to pollution remediation liabilities, accounting errors, internal service fund fees not commensurate with costs, and noncompliance with state laws.

The written response to the audit recommendations is included at the end of the audit report. We thank the Attorney General and the department staff for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

Department of Justice Steve Bullock, Attorney General
Tim Burton, Deputy Director/Chief of Staff

Division Administrators

Kathy Seacat, Central Services
Joe Chapman, Information Technology Services
Dave McAlpin, Forensic Sciences
Colonel Michael T. Tooley, Highway Patrol
Mike Batista, Criminal Investigation
Brenda Nordlund, Motor Vehicle
Rick Ask, Gambling Control
Ali Bovingdon, Legal Services

Montana Board of Crime Control

<u>Members</u>	<u>Representing</u>	<u>Term Expires</u>
Mike Anderson, Chair	Local Government	2013
Mikie Baker-Hajek	Citizen Member of Community Organizations	2013
Steve Bullock	Attorney General	2013
Pam Carbonari	Problems Facing Youth & Youth Justice Council	2013
Jim Cashell	Local Law Enforcement	2013
Brenda Desmond	Judiciary System	2015
Lynn Erickson	Local Law Enforcement	2013
Mike Ferriter	State Law Enforcement	2015
Harold Hanser	Citizen	2013
Randi Hood	Criminal Justice	2015
Rick Kirn	Tribal Government	2015
Sherry Matteucci	General Public	2015

Steve McArthur	Community Corrections	2013
Lois Menzies	Judicial System	2015
Nickolas Murnion	Local Law Enforcement	2013
Laura Obert	Local Government	2013
Angela Russell	Tribal Court	2015
Godfrey Saunders	Citizen	2015
Brooke Marshall	Executive Director	

**Montana Public Safety
Officer Standards and
Training Council**

<u>Members</u>	<u>Representing</u>	<u>Term Expires</u>
Hal Harper, Chair	Citizen	2015
Mike Anderson	MBCC	2015
Steve Barry	Department of Corrections	2013
Alex Betz	State Government Law Enforcement	2013
Harold Hanser	MBCC	2013
Tony Harbaugh	Sheriffs	2013
Georgette Hogan-Boggio	County Attorneys	2015
Lewis Matthews	Tribal Law Enforcement	2015
Robert McCarthy	Citizen	2013
Dennis McCave	Detention Centers	2013
Raymond Murray	Citizen	2013
John Schaffer	Local Law Enforcement	2015
James Smith	Chief of Police	2015
Wayne Ternes	Executive Director	

For additional information concerning the Department of Justice,
contact:

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Helena, MT 59620-1404
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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

For the Two Fiscal Years Ended June 30, 2012

NOVEMBER 2012

12-18

REPORT SUMMARY

The Department of Justice (department) provides a diverse set of services to the state of Montana. One of those services is management of the settlement funds for reclamation of the Upper Clark Fork River. Our audit identified errors in the liability recorded for this project.

Context

The Attorney General is an elected official that heads the department, whose operations include the Montana Highway Patrol, the Montana Law Enforcement Academy, the State Forensic Lab, driver and vehicle licensing and registration, and oversight of gambling within the state. The department is primarily funded by the General Fund (approximately 25 percent) and the State Special Revenue Fund (approximately 60 percent). The largest sources of revenue generated through the department are from motor vehicle licenses and permits and gambling taxes, which provided approximately \$185 million in revenues to the General and State Special Revenue Funds for each fiscal year.

The Montana Board of Crime Control, Natural Resource Damage Program, and Public Safety Officer Standards and Training Council (POST) are administratively attached to the department. The Board of Crime Control administers federal grants dedicated to preventing and addressing crime statewide. The Natural Resource Damage Program conducts natural resource damage assessments and lawsuits, and develops restoration plans and projects. POST is responsible for establishing basic and advanced qualification and training standards for employment of Montana's public safety officers.

Results

There are four recommendations in this report. We identified a control deficiency related to pollution remediation liabilities, which led to an overstatement of \$43.3 million and an understatement of \$35.2 million in these liabilities for fiscal years 2011 and 2012, respectively. We also identified accounting errors in recording agency fund activity and equipment and intangible assets.

Fees and charges for services are not commensurate with costs within the Agency Legal Services Bureau Internal Service Fund. During the audit period, the fees and charges did not cover the cost of bureau operations.

We identified noncompliance with state laws related to the registration of motor vehicles, grants to chronically and critically ill children, and reporting requirements for licensed amateur radio operators.

Recommendation Concurrence	
Concur	4
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

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Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Department of Justice (department) for the two fiscal years ended June 30, 2012. The objectives of the audit were:

1. To obtain an understanding of the department's control systems to the extent necessary to support our audit of the department's financial schedules and, if appropriate, make recommendations for improvement in the internal and management controls of the department.
2. To determine if the department complied with selected state and federal laws and regulations.
3. To determine the implementation status of prior audit recommendations.
4. To determine if the department's financial schedules present fairly the results of operations and changes in fund balances and property held in trust for the department for each of the fiscal years ended June 30, 2011, and June 30, 2012.

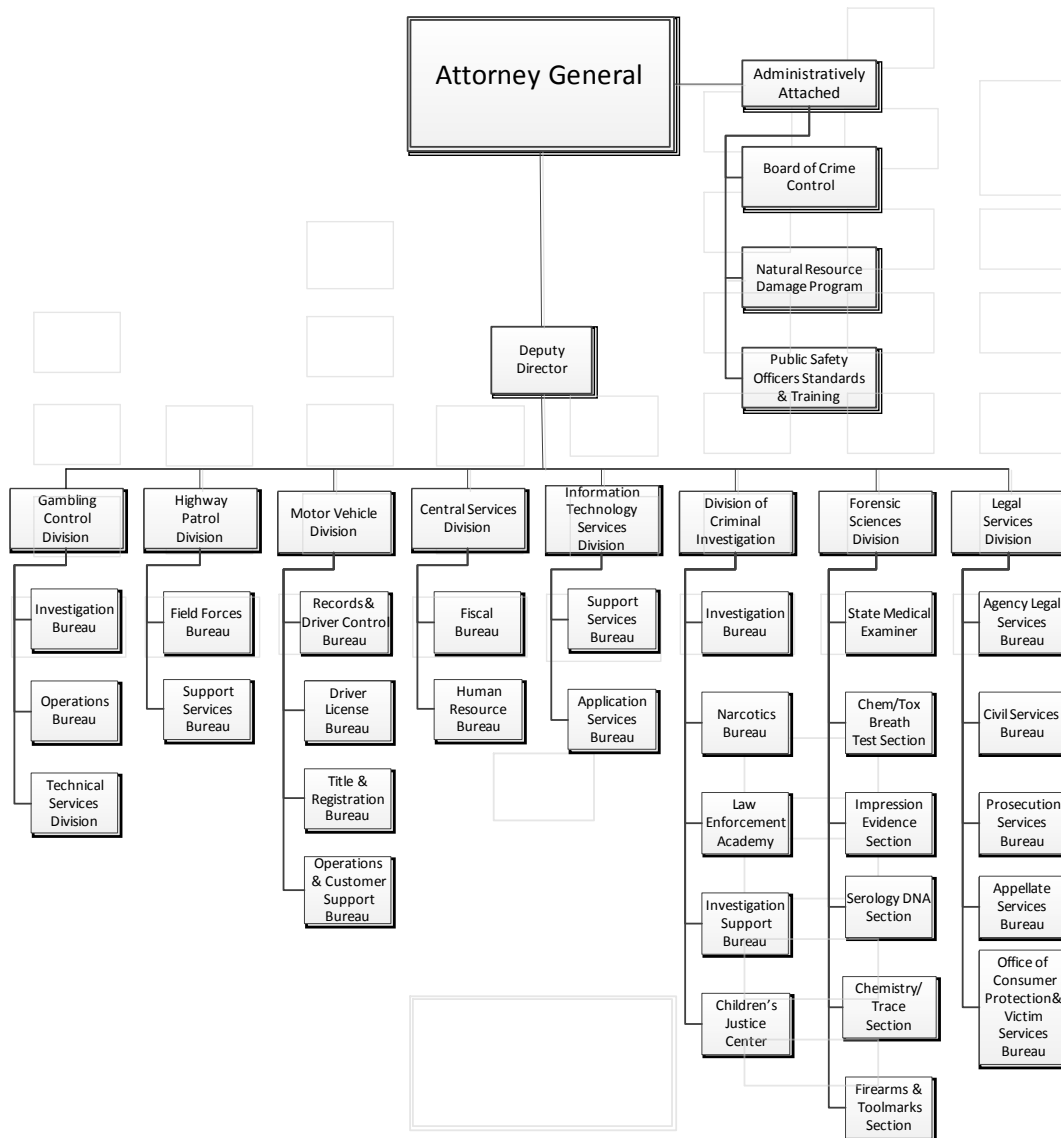
In accordance with §5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendations made in this report.

As required by §17-8-101(6), MCA, we analyzed the fees and charges for services and fund equity in the department's Internal Service Fund. The department's only Internal Service Fund is for the Agency Legal Services Bureau. Our audit work indicates fund equity is not reasonable and fees and charges are not commensurate with costs. See page 7 for a discussion of this issue.

Background

The Attorney General, who is elected to serve a four-year term, heads the department. The department's primary functions are to provide effective statewide law enforcement, legal services, and improve public safety. The department has a total of 779.85 full time equivalent (FTE) employees.

Figure 1
Department of Justice Organizational Chart



Source: Compiled by Department of Justice.

Administratively Attached Boards, Councils, and Programs

The Board of Crime Control (board) (17.5 FTE)—The board is composed of 18 members appointed by the Governor and confirmed by the Senate. The board's expenditure activity is presented in the department's financial schedules on pages A-7 and A-8 as the Justice System Support Service Program. The board prepares and implements an annual plan for strengthening Montana's criminal and juvenile justice

systems. The board provides support services to criminal justice agencies including data collection and research. The board is also responsible for the administration of various state and federal programs to help reduce crime and provide victim assistance and support.

Natural Resource Damage Program (10.5 FTE)–The program is responsible for preparing natural resource damage assessments and lawsuits in order to recover damages for injuries to natural resources caused by releases of hazardous substances and developing and implementing restoration plans that guide the expenditures of settlement proceeds on restoration projects. The Natural Resource Damage Program operates within the Legal Services Division.

The Public Safety Officer Standards and Training Council (3 FTE)–The council is composed of 13 members appointed by the Governor. The council's expenditure activity is presented in the department's financial schedules on pages A-7 and A-8 within the Division of Criminal Investigation. The council is responsible for establishing basic and advanced qualification and training standards for employment of Montana's public safety officers. The council hires its own personnel and independently administers the conduct of its business.

Department Divisions

Legal Services (79 FTE)–provides legal research and analysis for the Attorney General; legal counsel for state government and state officials, bureaus, and boards; legal assistance to local governments; legal assistance, training, and support for county prosecutors; assistance through the offices of Consumer Protection and Victim Services; and legal advice and support for all state agencies.

Gambling Control (47 FTE)–licenses and regulates gambling activities and enforces gambling laws in the state of Montana. The division collects license fees, gambling taxes, and investigates applications and complaints relating to alcoholic beverage licensing.

Motor Vehicle (153.75 FTE)–licenses individual and commercial drivers; administers all driver license records, suspensions, revocations, and reinstatement actions including court ordered suspensions and revocations; provides probationary driver licenses and driver license reinstatements; investigates special driver licensing problems; issues identification cards; issues motor vehicle registrations and titles; investigates motor vehicle titling and registration fraud; files and releases liens on motor vehicles; licenses and controls motor vehicle dealers; and inspects and verifies vehicle identification numbers and provides training for county treasurers, motor vehicle dealers, and

financial institutions. The Motor Vehicle Division (MVD) includes the Title and Registration Bureau in Deer Lodge and 49 driver licensing offices located statewide, as well as business partnerships with each of the 56 counties, the state's information portal provider, and numerous private and governmental entities.

Highway Patrol (297 FTE)—enforces commercial vehicle regulations and general traffic laws, investigates accidents and auto thefts, inspects vehicles, and provides motorist assistance.

Criminal Investigation (99 FTE)—includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, the Children's Justice Center, and the Law Enforcement Academy Bureau. The division maintains Montana's Sexual or Violent Offender Registry, the state reporting of criminal records and fingerprint information, and Montana's Criminal Justice Information Network. The Public Safety Officer Standards and Training (POST) Council operates within this division.

Central Services (19 FTE)—provides centralized accounting, administrative, budgetary, human resources, payroll, and fiscal support for the department.

Information Technology Services (40.8 FTE)—provides a full range of services for the department and the criminal justice community. The division maintains several statewide criminal justice systems, including the state criminal history records system and the state criminal justice information network, that link law enforcement agencies in Montana with various state, regional, and national criminal justice databases. It also maintains several noncriminal justice computer systems, including the Montana Enhanced Registration and Licensing Information Network (MERLIN) and the Driver Control System. The division provides project management for the Integrated Justice Information Sharing Broker.

Forensic Sciences (33.3 FTE)—performs scientific analyses of evidence submitted by law enforcement officials, coroners, and state agencies. The division promotes forensic science training, scientific criminal investigations, and manages a statewide system of death investigations.

Prior Audit Recommendations

Our office performed the department's financial-compliance audit for the two fiscal years ended June 30, 2010. The report contained four recommendations. The department has implemented three of those recommendations and has not implemented the fourth. The recommendation not implemented relates to Agency Legal Services Internal Service Fund fees not being commensurate with costs. This issue is addressed beginning on page 7 of this report.

Chapter II – Findings and Recommendations

Pollution Remediation

Pollution remediation liabilities are incorrectly recorded on the state's accounting system for fiscal years 2011 and 2012.

The Department of Justice (department) is responsible for administering several accounts used for the remediation of environmental settlements within the State Special Revenue Fund. Errors in recording the pollution remediation liabilities were made in an account shared with the Department of Environmental Quality. As the owner of this account, the department is responsible for effectively managing the account.

In fiscal year 2011, the same pollution remediation liability was recorded by both agencies resulting in the short-term and long-term pollution liabilities being overstated by \$5,950,000 and \$37,385,345, respectively. In fiscal year 2012, the department was not aware Department of Environment Quality staff recorded a transaction to reduce their portion of the liabilities to zero, resulting in the short-term and long-term liabilities to be understated by \$2,100,000 and \$33,102,447, respectively. Department management indicated the fiscal year 2011 errors were the result of new processes and new staff within the agency and the fiscal year 2012 errors were due to miscommunication between the Department of Justice and the Department of Environmental Quality staff members.

State accounting policy requires the department have internal controls in place to ensure all transactions necessary for compliance with generally accepted accounting principles (GAAP) are recorded in the state's accounting records before fiscal year-end.

Based on the nature of these errors and their recurrence, we believe the department does not have adequate internal controls in place to ensure the pollution remediation liability is recorded correctly on the state's accounting records at fiscal year end. The pollution remediation liabilities are not required to be reported on the department's financial schedules starting on page A-3, but are reported on the state's Basic Financial Statements in the Comprehensive Annual Financial Report (CAFR).

RECOMMENDATION #1

We recommend the department implement controls to ensure pollution remediation liabilities are recorded in accordance with state accounting policy at fiscal year-end.

Accounting Errors

The department made errors in recording agency fund activity and equipment and intangible asset expenditures on the state's primary accounting system.

Section 17-1-102(4), MCA, requires all state agencies input all necessary transactions to the accounting system before the accounts are closed at the end of the fiscal year in order to present the receipt, use, and disposition of all money and property for which the agency is accountable in accordance with generally accepted accounting principles.

Agency Fund Activity

The department collects county option taxes during online registrations and donations for the sponsoring organization for all specialty license plate registrations and renewals. These funds are remitted on a monthly basis to the counties or sponsoring organizations. State accounting policy requires the use of a property held in trust account when an asset is held by the state in a fiduciary capacity. In fiscal year 2011, the department did not use the required property held in trust account, but recorded the funds in a revenue account and then reduced the revenue when the funds were remitted to the counties or sponsoring organizations. As a result, on the fiscal year 2011 Schedule of Changes in Fund Balance & Property Held in Trust, Additions and Reductions to Property Held in Trust are each understated by \$5,747,935.

The department indicated the reason this account was not used is due to the programming of the Montana Enhanced Registration and Licensing Information Network (MERLIN). However, the department could record an entry at fiscal year-end in order to comply with state law and accounting policy. In fiscal year 2012, the department complied by making a single entry to properly record property held in trust at fiscal year-end.

Equipment & Intangible Asset Expenditures

State accounting policy requires agencies to capitalize internally generated software if an item's unit cost exceeds \$500,000. In fiscal year 2011, as part of the capitalization process, department personnel intended to process a transaction appropriately reclassifying equipment and intangible asset expenditures related to MERLIN as construction work in progress. Agency personnel misinterpreted state accounting policy and recorded this transaction in error. This error caused equipment and intangible asset expenditures to be understated by \$2,431,209 and for hourly wages and other services to be overstated by \$687,538 and \$1,743,671, respectively, on the Schedule of Expenditures & Transfers-Out for the Central Services Division for fiscal year 2011.

RECOMMENDATION #2

We recommend the department record agency fund activity and equipment and intangible asset expenditures in accordance with state law and accounting policy.

Agency Legal Services Internal Service Fund

Fees charged to state agencies for legal services are not covering all costs as required by state law.

The prior audit report recommended the department comply with state law requiring internal service fund fees and charges for services be commensurate with costs. The Agency Legal Services Bureau (ALSB) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. The attorneys and investigators bill clients for their services as well as case-related and incidental costs. ALSB funds 11 attorneys and 3 paralegals from the revenues generated.

The fees charged by ALSB during fiscal years 2011 and 2012 did not cover all of the costs of providing the services as required by state law. Section 17-8-101(6), MCA, requires fees and charges for services deposited in the internal service fund type be based upon commensurate costs. In fiscal years 2011 and 2012, the expenditures exceeded the revenues, causing the negative ending fund balance to increase as shown on Table 1.

A maximum rate is approved by the legislature each biennium. Hourly rates for attorneys and investigators were increased for the 2011 biennium to \$93 and \$53, respectively. Based on our analysis and the increasing negative fund balance, this increase was not sufficient to correct the shortfall. As part of the budget preparation for the 2013 biennium, department personnel determined the ALSB's rates needed to be raised to \$105 for attorneys and \$63 for investigators. However, the rate increases were not approved by the Governor's Office and the rates remained at the 2011 levels. The department continued to seek rate increases and proposed a \$5.00 an hour increase

Table 1
Agency Legal Services Fund Balance

Fiscal Year	Ending Fund Balance
2010	(\$191,151)
2011	(292,731)
2012	(336,952)

Source: Compiled by the Legislative Audit Division from state accounting records.

for both attorneys and investigators for the 2015 biennium, but only a \$2.50 an hour increase was approved for submission with the Governor's budget.

As a result, the department is not in compliance with the state law that requires its internal service fund fees and charges for services be commensurate with costs. Unless the ALSB takes steps to reduce its costs or is authorized to raise its rates, the department will remain noncompliant with state law.

RECOMMENDATION #3

We recommend the department comply with state law requiring internal service fund fees and charges for services be commensurate with costs.

Noncompliance with State Law

The department has failed to adopt rules or file reports as required by state law.

Registration of Motor Vehicles

Section 61-3-315, MCA, requires the department to adopt rules related to the implementation and administration of the registration of motor vehicles including: verification of insurance before registering or renewing a registration of a vehicle; automated mailing of license plates by the department or its authorized agent; and devising a method placing license plates on a five-year reissuance cycle in a manner that minimizes production peaks and valleys. As of July 2012, these rules had not been adopted even though these provisions of law became effective October 1, 2009. Department personnel indicated rules were not adopted due to demands put on the counties from the implementation of MERLIN. They believe those demands did not allow for the adoption of rules and subsequent implementation of the requirements at that time. Department management indicated they are moving forward with the adoption of the rules and held meetings with the counties to discuss these issues during the month of August 2012.

Grants for Montana Chronically or Critically Ill Children

Section 61-3-415, MCA, requires the department adopt rules to identify entities that may qualify for grants to provide wishes to Montana chronically or critically ill children and to establish criteria that an entity must meet to receive grant funds.

The Motor Vehicle Division has a motorcycle specialty license plate called “Chrome for Kids,” which includes a donation fee of \$20 to be used for these grants. To date, the department has collected \$52,440 and has not used this money for the purpose designated because they have not adopted the rules and implemented the related policies necessary to provide these grants. This money is available and has not been used for other purposes. The department indicated it has not adopted the rules and implemented the policy due to other issues having a higher priority for their staff.

Amateur Radio Operator Reports

The Motor Vehicle Division offers a specialty plate to licensed amateur radio operators. Section 61-3-424, MCA, requires the department to provide a report of all of the licensed amateur radio operators who have been issued these specialty plates to the Montana Highway Patrol and to the Department of Military Affairs. The information is to be used in the event of a public emergency or other disruption of commonly used communication networks. The Department of Justice is no longer providing these reports. Department personnel have indicated the Montana Highway Patrol and the Department of Military Affairs no longer wish to receive these reports. The department indicated it will be seeking legislation to remove these requirements.

RECOMMENDATION #4

We recommend the department comply with state law by:

- A. *Adopting rules for motor vehicle registration.*
 - B. *Adopting rules and establishing criteria for grants to provide wishes for Montana chronically or critically ill children.*
 - C. *Providing the reports of the licensed amateur radio operators to the Montana Highway Patrol and the Department of Military Affairs.*
-

Independent Auditor's Report and Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

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Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors
Cindy Jorgenson
Angus Maciver

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Justice for each of the fiscal years ended June 30, 2012, and 2011. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express opinions on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial schedules are prepared on the basis of Montana state accounting policy, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances & property held in trust of the Department of Justice for each of the fiscal years ended June 30, 2012, and 2011, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor

September 25, 2012

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	University Agency Fund
FUND BALANCE: July 1, 2011	\$ 21,546,678	\$ 293,444,987	\$ 442,898	\$ 718,170	\$ 450,298	\$ (292,731)	\$ 0	\$ 0
PROPERTY HELD IN TRUST: July 1, 2011							\$ 0	
ADDITIONS								
Budgeted Revenues & Transfers-In	165,886,016	46,682,186	11,815,918		570,148	1,152,450	5,556	
Nonbudgeted Revenues & Transfers-In	4,039	19,131,846	5,527		4,959			1,320
Prior Year Revenues & Transfers-In Adjustments	(261,764)	(5,153)	(107)			(186)	(5,556)	
Direct Entries to Fund Balance	(131,085,217)	13,909,326		12,879	1,149,036			(1,320)
Additions to Property Held in Trust							6,847,626	
Total Additions	34,543,074	79,718,205	11,821,338	12,879	1,724,143	1,152,264	6,847,626	0
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	33,316,142	50,511,293	11,346,361	91,789	1,748,688	1,189,694		
Nonbudgeted Expenditures & Transfers-Out	887	22,328,671	(2,032)	(0)	(14,292)	6,584		
Prior Year Expenditures & Transfers-Out Adjustments	(16,263)	(625,783)	283,696		1	207		
Reductions in Property Held in Trust		0					6,847,626	
Total Reductions	33,300,766	72,214,181	11,628,025	91,789	1,734,397	1,196,485	6,847,626	0
FUND BALANCE: June 30, 2012	\$ 22,788,986	\$ 300,949,011	\$ 636,211	\$ 639,260	\$ 440,044	\$ (336,952)	\$ 0	\$ 0
PROPERTY HELD IN TRUST: June 30, 2012							\$ 0	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	University Agency Fund
FUND BALANCE: July 1, 2010	\$ 21,274,414	\$ 318,591,831	\$ 412,648	\$ 718,170	\$ 416,223	\$ (191,151)	\$ 360	\$ 0
PROPERTY HELD IN TRUST: July 1, 2010						\$ (360)		
ADDITIONS								
Budgeted Revenues & Transfers-In	161,329,339	37,532,965	12,909,736		545,044	1,198,047	173,713	
Nonbudgeted Revenues & Transfers-In	1,337,284	14,974,024	5,379		151	48		1,200
Prior Year Revenues & Transfers-In Adjustments	2,358,395	(61,090)	23,805		(5,046)		(173,713)	
Direct Entries to Fund Balance	(132,193,411)	10,376,097	(99,903)		1,089,512		(360)	(1,200)
Additions to Property Held in Trust							360	
Total Additions	32,831,607	62,821,996	12,839,017	0	1,629,661	1,198,095	0	0
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	32,587,747	46,429,258	12,812,267		1,608,137	1,247,058		
Nonbudgeted Expenditures & Transfers-Out	9,722	41,439,182			(12,551)	52,017		
Prior Year Expenditures & Transfers-Out Adjustments	(38,126)	100,400	(3,500)			600		
Total Reductions	32,559,343	87,968,840	12,808,767	0	1,595,586	1,299,675	0	0
FUND BALANCE: June 30, 2011	\$ 21,546,678	\$ 293,444,987	\$ 442,898	\$ 718,170	\$ 450,298	\$ (292,731)	\$ 0	\$ 0
PROPERTY HELD IN TRUST: June 30, 2011						\$ 0		

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
 Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	University Agency Fund	Totals
TOTAL REVENUES & TRANSFERS-IN BY CLASS								
Licenses and Permits	\$ 103,924,468	\$ 28,990,457		\$ 528,471				\$ 133,443,396
Taxes	53,585,863	3,637,112	\$ 4,915					57,227,890
Charges for Services	4,193,595	4,886,647	20	44,243	\$ 1,152,264			10,276,769
Investment Earnings	4	15,703,154	14,994					15,718,152
Fines and Forfeits	40,416	95,575						135,991
Monetary Settlements	3,350,002	8,923,865						12,273,867
Sale of Documents, Merchandise and Property	263,384	12,367		7,393				283,144
Rentals, Leases and Royalties		29,082						29,082
Grants, Contracts, and Donations	2,791	1,908,028						1,910,819
Transfers-in		328,117	2,255,166					2,583,283
Capital Asset Sale Proceeds	4,360	143,455		(5,000)				142,815
Federal Indirect Cost Recoveries	255,827							255,827
Miscellaneous	5,823	1,094,741					\$ 1,320	1,101,884
Federal	1,758	56,279	9,546,243					9,604,280
Total Revenues & Transfers-In	165,628,291	65,808,879	11,821,338	575,107	1,152,264	0	1,320	244,987,199
Less: Nonbudgeted Revenues & Transfers-In	4,039	19,131,846	5,527	4,959			1,320	19,147,691
Prior Year Revenues & Transfers-In Adjustments	(261,764)	(5,153)	(107)		(186)	\$ (5,556)		(272,766)
Actual Budgeted Revenues & Transfers-In	165,886,016	46,682,186	11,815,918	570,148	1,152,450	5,556	0	226,112,274
Estimated Revenues & Transfers-In	165,888,006	46,684,373	12,021,784	570,148	1,152,450			226,316,761
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (1,990)	\$ (2,187)	\$ (205,866)	\$ 0	\$ 0	\$ 5,556	\$ 0	\$ (204,487)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits	\$ (1,035)	\$ (2,216)				\$ 5,435		\$ 2,184
Taxes	(15)	(95)				(754)		(864)
Charges for Services	(927)	127			\$	755		(45)
Investment Earnings			2,742					2,742
Fines and Forfeits								
Sale of Documents, Merchandise and Property	(13)							(13)
Grants, Contracts, and Donations								
Transfers-in		(1)	\$					(1)
Miscellaneous		(1)				120		119
Federal		(1)	(208,608)					(208,609)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (1,990)	\$ (2,187)	\$ (205,866)	\$ 0	\$ 0	\$ 5,556	\$ 0	\$ (204,487)

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DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	University Agency Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS								
Licenses and Permits	\$ 103,912,653	\$ 27,426,647		\$ 501,358				\$ 131,840,658
Taxes	49,833,524	3,018,068	\$ 4,395	151	\$ 48			52,856,186
Charges for Services	3,978,076	4,444,431		35,772	1,198,047			9,656,326
Investment Earnings		13,294,787	5,785					13,300,572
Fines and Forfeits	51,236	125,201	14,424					190,861
Monetary Settlements	4,191,134	2,024,671						6,215,805
Sale of Documents, Merchandise and Property	1,532,741	10,377		2,868				1,545,986
Rentals, Leases and Royalties		1,622						1,622
Grants, Contracts, and Donations		139,847						139,847
Transfers-in	1,315,435	1,125,789	2,712,904					5,154,128
Capital Asset Sale Proceeds	64,395	214,481						278,876
Federal Indirect Cost Recoveries	127,746		53,374					181,120
Miscellaneous	18,078	552,304					\$ 1,200	571,582
Federal		67,674	10,148,038					10,215,712
Total Revenues & Transfers-In	165,025,018	52,445,899	12,938,920	540,149	1,198,095	0	1,200	232,149,281
Less: Nonbudgeted Revenues & Transfers-In	1,337,284	14,974,024	5,379	151	48		1,200	16,318,086
Prior Year Revenues & Transfers-In Adjustments	2,358,395	(61,090)	23,805	(5,046)		\$ (173,713)		2,142,351
Actual Budgeted Revenues & Transfers-In	161,329,339	37,532,965	12,909,736	545,044	1,198,047	173,713	0	213,688,844
Estimated Revenues & Transfers-In	141,500,986	37,888,854	13,592,034	478,373	1,198,047	432,667		195,090,961
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 19,828,353	\$ (355,889)	\$ (682,298)	\$ 66,671	\$ 0	\$ (258,954)	\$ 0	\$ 18,597,883
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits	\$ 9,041,169	\$ (1,875,207)		\$ 37,653		\$ (243,740)		\$ 6,959,875
Taxes	12,993,907	273,348				44,634		13,311,889
Charges for Services	(143,110)	(162,002)		5,211		(2,578)		(302,479)
Investment Earnings			\$ (29,258)					(29,258)
Fines and Forfeits	(5,752)	569						(5,183)
Monetary Settlements	(930,599)	1,257,036						326,437
Capital Contributions				23,970				23,970
Sale of Documents, Merchandise and Property	(1,238,105)			(163)				(1,238,268)
Grants, Contracts, and Donations		(59,291)						(59,291)
Transfers-in		89,713	108,254					197,967
Capital Asset Sale Proceeds	108,082							108,082
Federal Indirect Cost Recoveries			6,636					6,636
Miscellaneous	2,761	120,463				(57,270)		65,954
Federal		(518)	(767,930)					(768,448)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 19,828,353	\$ (355,889)	\$ (682,298)	\$ 66,671	\$ 0	\$ (258,954)	\$ 0	\$ 18,597,883

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DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Agency Legal Services	Central Services Division	Division of Criminal Investigation	Forensic Science Division	Gambling Control Division	Highway Patrol Division	0 Information Technology Service	Legal Services Division	Motor Vehicle Division	Office of Consumer Protection	Justice System Support Service	Totals
Personal Services												
Salaries	\$ 779,319	\$ 821,244	\$ 5,133,912	\$ 2,063,303	\$ 2,112,270	\$ 16,019,092	\$ 1,916,050	\$ 3,769,108	\$ 4,296,101	\$ 516,435	\$ 797,120	\$ 38,223,954
Hourly Wages									19			19
Other Compensation			300								4,800	5,100
Employee Benefits	225,190	285,284	1,947,632	617,395	774,041	8,977,783	642,846	1,147,083	1,955,120	162,698	268,794	17,003,866
Personal Services-Other	(27,296)				9,630							(17,666)
Total	<u>977,213</u>	<u>1,106,528</u>	<u>7,081,844</u>	<u>2,680,698</u>	<u>2,895,941</u>	<u>24,996,875</u>	<u>2,558,896</u>	<u>4,916,191</u>	<u>6,251,240</u>	<u>679,133</u>	<u>1,070,714</u>	<u>55,215,273</u>
Operating Expenses												
Other Services	60,383	109,391	1,600,031	202,951	180,752	1,456,793	343,394	15,514,451	4,664,099	154,015	510,082	24,796,342
Supplies & Materials	13,928	23,120	610,022	562,885	90,462	4,681,595	250,607	85,541	1,267,939	23,737	115,130	7,724,966
Communications	17,407	15,621	593,609	52,487	81,743	779,479	127,139	119,539	1,333,825	209,448	32,208	3,362,505
Travel	3,271	2,194	331,286	46,819	41,866	827,884	11,159	98,495	111,464	26,919	78,203	1,579,560
Rent	64,606	68,184	693,655	59,341	281,433	635,219	104,903	232,655	667,393	76,955	85,945	2,970,289
Utilities			88,771	114,163		18,223			18,666			239,823
Repair & Maintenance	570	4,130	359,726	249,986	13,548	666,758	210,390	15,272	173,879	60	4,742	1,699,061
Other Expenses	16,879	9,261	466,252	47,397	38,916	495,048	38,916	401,434	265,386	17,000	141,859	1,930,473
Goods Purchased For Resale			8,499									8,499
Total	<u>177,044</u>	<u>231,901</u>	<u>4,751,851</u>	<u>1,319,673</u>	<u>737,201</u>	<u>9,560,999</u>	<u>1,086,508</u>	<u>16,467,387</u>	<u>8,502,651</u>	<u>508,134</u>	<u>968,169</u>	<u>44,311,518</u>
Equipment & Intangible Assets												
Equipment			217,648	374,100	50,930	2,318,705	61,324		228,726		12,779	3,264,212
Total			<u>217,648</u>	<u>374,100</u>	<u>50,930</u>	<u>2,318,705</u>	<u>61,324</u>		<u>228,726</u>		<u>12,779</u>	<u>3,264,212</u>
Local Assistance												
From State Sources		2,830,519			1,781,430							4,611,949
Total		<u>2,830,519</u>			<u>1,781,430</u>							<u>4,611,949</u>
Grants												
From State Sources										2,042,595	1,070,244	3,112,839
From Federal Sources											5,215,107	5,215,107
Grant To Governmental Entities										245,894		245,894
Grant To Non-Governmental Ent										352,319		352,319
Total										<u>2,640,808</u>	<u>6,285,351</u>	<u>8,926,159</u>
Benefits & Claims												
To Individuals								1,087,853				1,087,853
Total								<u>1,087,853</u>				<u>1,087,853</u>
Transfers-out												
Fund transfers			200,885					897,308		576,968	745,575	2,420,736
Total			<u>200,885</u>					<u>897,308</u>		<u>576,968</u>	<u>745,575</u>	<u>2,420,736</u>
Debt Service												
Loans									229,373			229,373
Installment Purchases				64,389								64,389
Total				<u>64,389</u>					<u>229,373</u>			<u>293,762</u>
Other Post Employment Benefits												
Other Post Employment Benefits	34,181											34,181
Total	<u>34,181</u>											<u>34,181</u>
Total Expenditures & Transfers-Out	<u>\$ 1,188,438</u>	<u>\$ 4,168,948</u>	<u>\$ 12,252,228</u>	<u>\$ 4,438,860</u>	<u>\$ 5,465,502</u>	<u>\$ 36,876,579</u>	<u>\$ 3,706,728</u>	<u>\$ 23,368,739</u>	<u>\$ 15,211,990</u>	<u>\$ 4,405,043</u>	<u>\$ 9,082,588</u>	<u>\$ 120,165,643</u>
EXPENDITURES & TRANSFERS-OUT BY FUND												
General Fund		\$ 3,268,065	\$ 5,821,334	\$ 3,478,348		\$ 1,503,016	\$ 3,451,018	\$ 5,915,313	\$ 7,603,084		\$ 2,260,588	\$ 33,300,766
State Special Revenue Fund		859,051	4,504,828	407,645	\$ 4,370,974	33,782,562	178,609	16,762,502	6,795,270	\$ 4,405,043	147,697	72,214,181
Federal Special Revenue Fund			1,926,066	552,867		1,591,001	62,277	690,924	130,587		6,674,303	11,628,025
Capital Projects Fund									91,789			91,789
Enterprise Fund		41,042			1,094,528		7,567		591,260			1,734,397
Internal Service Fund	\$ 1,188,438	790					7,257					1,196,485
Total Expenditures & Transfers-Out	<u>1,188,438</u>	<u>4,168,948</u>	<u>12,252,228</u>	<u>4,438,860</u>	<u>5,465,502</u>	<u>36,876,579</u>	<u>3,706,728</u>	<u>23,368,739</u>	<u>15,211,990</u>	<u>4,405,043</u>	<u>9,082,588</u>	<u>120,165,643</u>
Less: Nonbudgeted Expenditures & Transfers-Out	6,584	(351)	557,578	(1,224)	(15,851)	2,154,844	(844)	16,178,191	165,929	3,279,101	(4,138)	22,319,819
Prior Year Expenditures & Transfers-Out Adjustments	207	26	26,827	391	(493)	332,492	(53,240)	3,105	(674,751)	9,237	(1,944)	(358,143)
Actual Budgeted Expenditures & Transfers-Out	<u>1,181,647</u>	<u>4,169,273</u>	<u>11,667,823</u>	<u>4,439,693</u>	<u>5,481,846</u>	<u>34,389,243</u>	<u>3,760,812</u>	<u>7,187,443</u>	<u>15,720,812</u>	<u>1,116,705</u>	<u>9,088,670</u>	<u>98,203,967</u>
Budget Authority	1,564,950	4,696,591	13,227,488	4,685,568	6,138,916	36,023,511	3,830,588	8,017,347	25,946,085	5,959,502	15,913,825	128,004,161
Unspent Budget Authority	<u>\$ 383,303</u>	<u>\$ 527,318</u>	<u>\$ 1,559,665</u>	<u>\$ 245,865</u>	<u>\$ 657,070</u>	<u>\$ 1,634,268</u>	<u>\$ 69,776</u>	<u>\$ 829,904</u>	<u>\$ 10,225,273</u>	<u>\$ 4,842,797</u>	<u>\$ 6,824,955</u>	<u>\$ 27,800,194</u>
UNSPENT BUDGET AUTHORITY BY FUND												
General Fund		\$ 316,519	\$ 5,194	\$ 99,484		\$ 399,417	\$ 597	\$ 7,205	\$ 2,361		\$ 65,199	\$ 895,976
State Special Revenue Fund		158,228	575,024	423	\$ 493,590	424,098	31,303	161,644	3,532,043	\$ 4,842,797	180,917	10,400,067
Federal Special Revenue Fund		52,571	979,447	145,958		810,753	37,876	661,055	653,706		6,578,839	9,920,205
Capital Projects Fund									5,657,890			5,657,890
Enterprise Fund					163,480				379,273			542,753
Internal Service Fund	\$ 383,303											383,303
Unspent Budget Authority	<u>\$ 383,303</u>	<u>\$ 527,318</u>	<u>\$ 1,559,665</u>	<u>\$ 245,865</u>	<u>\$ 657,070</u>	<u>\$ 1,634,268</u>	<u>\$ 69,776</u>	<u>\$ 829,904</u>	<u>\$ 10,225,273</u>	<u>\$ 4,842,797</u>	<u>\$ 6,824,955</u>	<u>\$ 27,800,194</u>

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DEPARTMENT OF JUSTICE SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT FOR THE FISCAL YEAR ENDED JUNE 30, 2011													
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Agency Legal Services	Central Services Division	County Attorney Payroll	Division of Criminal Investigation	Forensic Science Division	Gambling Control Division	Highway Patrol Division	Information Technology Service	Legal Services Division	Motor Vehicle Division	Office of Consumer Protection	Justice System Support Service	Total
Personal Services													
Salaries	\$ 806,770	\$ 868,250		\$ 4,922,770	\$ 2,063,905	\$ 2,185,217	\$ 14,366,684	\$ 1,821,168	\$ 3,766,216	\$ 4,403,985	\$ 566,477	\$ 867,613	\$ 36,639,055
Hourly Wages		687,538							7,318				694,856
Other Compensation												4,600	4,600
Employee Benefits	233,013	297,634	\$ 2,359	1,871,458	634,555	799,834	8,142,155	619,355	1,146,369	2,238,242	172,726	284,537	16,442,237
Personal Services-Other	14,315			(19,935)		(19,935)							(5,620)
Total	1,054,098	1,853,422	2,359	6,794,228	2,698,460	2,965,116	22,508,839	2,440,523	4,919,903	6,642,227	739,203	1,156,750	53,775,128
Operating Expenses													
Other Services	55,033	1,806,027		1,973,662	170,961	149,713	1,373,777	485,398	19,181,102	6,255,039	115,350	443,026	32,009,088
Supplies & Materials	22,891	18,198		577,275	408,183	78,907	2,201,151	301,520	109,593	736,013	22,126	94,789	4,570,646
Communications	23,772	22,703		245,956	68,045	84,243	694,757	102,211	147,909	1,122,787	43,864	70,005	2,626,252
Travel	3,911	646		254,352	47,211	33,865	609,558	21,783	120,449	109,440	25,391	73,213	1,299,819
Rent	66,931	108,473		667,914	26,927	268,658	599,518	117,988	268,541	671,504	55,062	119,164	2,970,680
Utilities				109,355	102,417		16,501			19,899			248,172
Repair & Maintenance	2,543	9,247		468,729	164,795	16,592	1,036,421	16,813	37,658	95,991	473	3,102	1,852,364
Other Expenses	12,891	56,713		296,353	47,122	34,112	279,110	37,133	445,606	70,851	23,915	114,898	1,418,704
Total	187,972	2,022,007		4,593,596	1,035,661	666,090	6,810,793	1,082,846	20,310,858	9,081,524	286,181	918,197	46,995,725
Equipment & Intangible Assets													
Equipment		(2,431,209)		340,885	634,447	39,900	1,518,411	77,210	6,735	147,169			333,548
Total		(2,431,209)		340,885	634,447	39,900	1,518,411	77,210	6,735	147,169			333,548
Capital Outlay													
Land & Interest In Land									17,153,379				17,153,379
Total									17,153,379				17,153,379
Local Assistance													
From State Sources			2,609,418			1,842,409							4,451,827
Total			2,609,418			1,842,409							4,451,827
Grants													
From State Sources											503,539	890,452	1,393,991
From Federal Sources												5,714,485	5,714,485
Grant to Governmental Entities											508,673		508,673
Grant To Non-Governmental Ent											55,080		55,080
Total											1,067,292	6,604,937	7,672,229
Benefits & Claims													
To Individuals									1,099,565		11,919		1,111,484
Total									1,099,565		11,919		1,111,484
Transfers-out													
Fund transfers									1,301,482		254,628	1,394,672	2,950,782
Mandatory Transfers									1,315,435				1,315,435
Total									2,616,917		254,628	1,394,672	4,266,217
Debt Service													
Loans									4,229	280,164			284,393
Installment Purchases					150,579								150,579
Total					150,579				4,229	280,164			434,972
Other Post Employment Benefits													
Other Post Employment Benefits	37,702												37,702
Total	37,702												37,702
Total Expenditures & Transfers-Out	\$ 1,279,772	\$ 1,444,220	\$ 2,611,777	\$ 11,728,709	\$ 4,519,147	\$ 5,513,515	\$ 30,838,043	\$ 3,600,579	\$ 46,111,586	\$ 16,151,084	\$ 2,359,223	\$ 10,074,556	\$ 136,232,211
EXPENDITURES & TRANSFERS-OUT BY FUND													
General Fund		\$ 553,594	\$ 2,611,777	\$ 5,668,731	\$ 3,786,263		\$ 1,567,174	\$ 3,403,101	\$ 5,338,587	\$ 7,510,193		\$ 2,119,923	\$ 32,559,343
State Special Revenue Fund		818,286		3,600,095	536,222	\$ 4,447,229	27,981,840	181,802	40,243,311	7,631,792	\$ 2,359,223	169,040	87,968,840
Federal Special Revenue Fund				2,459,883	196,662		1,289,029	2,268	529,688	545,644		7,785,593	12,808,767
Enterprise Fund		59,000				1,066,286		6,845		463,455			1,595,586
Internal Service Fund	\$ 1,279,772	13,340						6,563					1,299,675
Total Expenditures & Transfers-Out	1,279,772	1,444,220	2,611,777	11,728,709	4,519,147	5,513,515	30,838,043	3,600,579	46,111,586	16,151,084	2,359,223	10,074,556	136,232,211
Less: Nonbudgeted Expenditures & Transfers-Out	52,017			305,948		(12,551)	158,575		39,600,411	(7,940)	1,342,073	49,836	41,488,369
Prior Year Expenditures & Transfers-Out Adjustments	600	(806)	2,360	125,712	(15,160)	(2,417)	(24,883)	(22,509)	(9,799)	5,533	746		59,377
Actual Budgeted Expenditures & Transfers-Out	1,227,155	1,445,026	2,609,417	11,297,049	4,534,307	5,528,483	30,704,351	3,623,088	6,520,974	16,153,491	1,016,404	10,024,720	94,684,465
Budget Authority	1,456,355	1,928,852	2,803,005	13,442,939	4,878,744	7,418,779	32,213,957	3,648,645	7,858,288	26,438,412	1,748,797	19,576,624	123,413,397
Unspent Budget Authority	\$ 229,200	\$ 483,826	\$ 193,588	\$ 2,145,890	\$ 344,437	\$ 1,890,296	\$ 1,509,606	\$ 25,557	\$ 1,337,314	\$ 10,284,921	\$ 732,393	\$ 9,551,904	\$ 28,728,932
UNSPENT BUDGET AUTHORITY BY FUND													
General Fund		\$ 205,081	\$ 193,588	\$ 257,507	\$ 11,721		\$ 190,396	\$ 25,537	\$ 297,564	\$ 324,648		\$ 274,297	\$ 1,780,339
State Special Revenue Fund		153,745		401,915			215,273		157,402	3,364,675		232,768	7,148,485
Federal Special Revenue Fund		125,000		1,486,468	332,716	\$ 1,890,294		20		675,735	\$ 732,393	9,044,839	13,651,043
Capital Projects Fund							1,103,937		882,348				5,749,679
Enterprise Fund										5,749,679			170,186
Internal Service Fund	\$ 229,200												229,200
Unspent Budget Authority	\$ 229,200	\$ 483,826	\$ 193,588	\$ 2,145,890	\$ 344,437	\$ 1,890,296	\$ 1,509,606	\$ 25,557	\$ 1,337,314	\$ 10,284,921	\$ 732,393	\$ 9,551,904	\$ 28,728,932

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Montana Department of Justice

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2012

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Capital Projects). In applying the modified accrual basis, the department records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Fiduciary (Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. In order to reflect the total operations of the department, the administratively attached Board of Crime Control and POST Council are combined on the financial schedules with the Department of Justice.

The department uses the following funds:

Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund. Significant General Fund activity for the department includes motor vehicle, gambling, and legal services.

- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include Highway Patrol operations, collections of gambling license revenues, Montana Law Enforcement Academy operations, Natural Resources Damage Litigation Program, Consumer Protection Program, Motor Vehicle Information Technology System, and the Montana Mental Health Settlement Trust account.
- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include Federal Crime Victims Benefits, Medicaid Fraud Control Unit, Juvenile Justice, Juvenile Assistance, and Violence against Women.
- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The department uses this fund to account for the costs related to developing the information technology system related to the production and maintenance of motor vehicle title and registration records and driver's license records.

Proprietary Fund Category

- ♦ **Internal Service Fund** – to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. The Department Internal Service Fund is for the Agency Legal Services Bureau, which provided requested legal services to other state agencies.
- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Department Enterprise Funds include MVD State Information Portal, MVD Electronic Commerce, and the Liquor Division, which is used to fund part of the Gambling Division's operations, and is administered by the Department of Revenue.

Fiduciary Fund Category

- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal to the State clearing account activity but these must have a zero balance at fiscal year-end. The department agency fund includes activity for county and sponsor organization license plate fee collections.

2. General Fund Balance

The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the fiscal years ended June 30, 2012, and June 30, 2011. These balances reflect the results of the activity of the department and not the fund balance of the statewide General Fund.

3. Direct Entries to Fund Balance

Direct entries to fund balances in the General, State Special Revenue, Federal Special Revenue Fund, Enterprise, Capital Projects, and Agency funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

4. Agency Fund and University Agency Fund

The department records fees collected for counties and specialty plate donations collected for sponsor organizations in the Agency Fund and University Agency Fund. Revenue is recorded when the fees and donations are collected and reversed when those revenues are returned to the counties and sponsoring organizations. The Budgeted, Non-Budgeted, and Prior Year Revenues reported in the Agency Fund are those collections that span fiscal years. The direct entries to fund balance and additions to property held in trust in the Agency Fund were due to the reversal of a prior year balance. The nonbudgeted revenues and direct entries to fund balance reported in the University Agency Fund are donations collected for the specialty plates for the University of Montana, College of Technology (name changed to Helena College, University of Montana 7/30/12).

5. Unspent Budget Authority for the Motor Vehicle Division

In fiscal year 2011 there was \$10,284,921 of unspent budget authority, and in fiscal year 2012, \$10,225,273 in unspent budget authority for the Motor Vehicle Division. This was due to delayed implementation of the Montana Insurance Verification System, the rolling re-issue of license plates, and the conversion of the legacy driver system. The final phase of the Montana Enhanced Registration and Licensing Information Network (MERLIN), Phase 3 the Driver Services Project, is ongoing and will convert the legacy driver system into MERLIN. Upon completion of Phase 3, MERLIN will be a fully-integrated solution to manage all Motor Vehicle Division services.

6. Land Purchases within the Legal Services Division

In fiscal year 2011 the Natural Resource Damage Program purchased land parcels totaling \$17,153,379. The three purchases included the Milltown parcel for \$744,500, the Paracini Ponds parcel for \$1,151,472, and the Spotted Dog parcel for \$15,257,406.

DEPARTMENT OF
JUSTICE

DEPARTMENT RESPONSE

ATTORNEY GENERAL

STATE OF MONTANA

B-1

Steve Bullock
Attorney General



Department of Justice
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Helena, MT 59620-1401

October 31, 2012

Tori Hunthausen
Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena MT 59620-1705

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LEGISLATIVE AUDIT DIV.

RE: Department of Justice and Board of Crime Control financial compliance audit

Dear Tori:

The Department of Justice and the Board of Crime Control thank you and your audit team for the professionalism displayed while conducting this financial compliance audit. The audit provides valuable and timely information for us to evaluate our programs and accounting processes. Please accept the following as my response to the audit recommendations presented in the report for the two fiscal years ended June 30, 2012.

Recommendation #1

We recommend the department implement controls to ensure pollution remediation liabilities are recorded in accordance with state accounting policy at fiscal year-end.

We concur. The department accountants will continue to make every effort to ensure that proper accounting procedures will be used to account for pollution remediation liabilities in accordance with state policy.

Recommendation #2

We recommend the department record agency fund activity and equipment and intangible asset expenditures in accordance with state law and accounting policy.

We concur. The department accountants will continue to make every effort to ensure that accounting entries are in compliance with state policy.

Recommendation #3

We recommend the department comply with state law requiring internal service fund fees and charges for services be commensurate with costs.

We concur. The department will continue to streamline services and manage contracts within the ALSB. Adjusted rates will be presented for consideration to the 2013 Legislature.

Recommendation #4

We recommend the department comply with state law by:

A. Adopting rules for motor vehicle registration.

We concur. The department will make adoption of these rules a priority in 2013.

B. Adopting rules and establishing criteria for grants to provide wishes for Montana chronically or critically ill children.

We concur. The department will make adoption of these rules a priority in 2013

C. Providing the reports of the licensed amateur radio operators to the Montana Highway Patrol and the Department of Military Affairs.

We partially concur. Advancements in technology have reduced the need for these reports. The department will bring housekeeping updates to the 2013 Legislature.

Thank you.

Sincerely,



STEVE BULLOCK
Attorney General

SB:sj